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IN THE

Supreme Court of the United States

October Term, 1970.

Docket No. 1200.

IRVIN INDUSTRIES, INC.,
Petitioner,

against

AMERICAN HARLEY CORP.,
Respondent.

Respondent's Brief in Opposition to Petition for a Writ of Certiorari to the Court of Appeals of the State of New York.

DONALD H. SHAW,
Attorney for Respondent,
American Harley Corp.,
200 Park Avenue,
New York, N. Y. 10017

KANTOR, SHAW & RYAN,
Of Counsel.

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Irvin Industries, Inc.,

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American Harley Corp.,

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Docket No. 1200

Brief for Respondent American Harley Corp. in Opposition to Petition for a Writ of Certiorari.

Questions Presented.

1. Whether this court should determine if petitioner was free to induce the breach of an agreement licensing a patent whose validity was not disproved.

2. Whether this court should determine if an action for inducing breach of a patent license agreement can only be tried in a Federal court.

3. Whether this court should determine if the complaint or the measure of damages encroaches upon Federal patent law.

Statement of the Case.

Petitioner Irvin and respondent American Harley held exclusive licenses to patents issued in different parts of the world (Pl. Ex. 1; R. 84, 104, 894; Pl. Ex. 3; R. 98, 921).* The patents covered an automobile seat belt buckle invented by Mr. Harley (Pl. Ex. 4; R. 98, 930). Irvin's rights were effective in Europe and in England, where Mr. Harley lived, and his corporation, British Harley, had its office. American Harley's rights were effective in the United States, where it sold various products invented by Mr. Harley (R. 107-8). British Harley and Mr. Harley were co-owners of the patent in the United States (Pl. Ex. 4; R. 98, 930).

Irvin became interested in obtaining the United States patent covering the buckle during 1959 (Pl. Ex. 5; R. 110, 934; Pl. Ex. 8; R. 124, 937). At the time, automobile manufacturers and the American public were becoming aware of the advantages of the use of seat belts for greater passenger safety. Irvin's sales of seat belts in England and Europe led it to believe that the Harley buckle could be successfully sold in the United States (Pl. Ex. 8; R. 124, 937; Pl. Ex. 17; R. 141, 948; Pl. Ex. 22; R. 158, 953).

Representatives of Irvin and American Harley began to discuss a sub-license during mid-1959 (R. 119-120) but could not agree upon price (Pl. Ex. 20; R. 158, 953; R. 142-4). Negotiations were resumed during mid-1961 (Pl. Ex. 22; R. 158, 953; 168). While terms were again being discussed, American Harley was notified by British Harley that the likelihood of production in "large quantities" had been held out to it by Irvin, and unless American Harley came to an agreement with Irvin, the buckle would be withdrawn from American Harley's line

*References are to the record on appeal on file with the Clerk of the Court of Appeals of the State of New York

(Pl. Ex. 23; R. 161, 955). This threat to disenfranchise American Harley was not fulfilled. On July 27, 1961, British Harley's royalties were reduced (Pl. Ex. 29; R. 563, 960).

During early September, 1961, representatives of American Harley, British Harley and Irvin's English subsidiary met in London (Pl. Ex. 30; R. 196, 961). American Harley agreed under "pressure" that it would enter into a sub-license with Irvin providing for a royalty of 6¢ per buckle and a yearly minimum of 100,000 buckles (Pl. Ex. 33; R. 207, 966; R. 191-9). When American Harley's representative returned to the United States and informed Irvin of the terms discussed in London, Irvin's president falsely denied being aware of the royalty agreement (Pl. Ex. 33; R. 207, 966; R. 211). Irvin refused to agree to pay more than 3¢ per buckle (R. 211-215; R. 738). Thereafter, Mr. Harley was told by Irvin that American Harley had "reneged" upon the understanding reached in London (R. 220-1). As a result of this, British Harley notified American Harley that it had decided to take the rights under the patent in the United States away from American Harley and to give them to Irvin (Pl. Ex. 35; R. 218, 969; R. 741-2). When American Harley contacted Irvin about Mr. Harley's threat, Irvin stated that it would do nothing until an agreement had been reached between the two companies (Pl. Ex. 41; R. 228, 973). At the same time, Irvin wrote to its English subsidiary suggesting that the time might be appropriate to attempt to take away the rest of the items licensed to American Harley and that this should be done through a subsidiary corporation "• • • so as not to be definitely identified with Irvin" (Pl. Ex. 40; R. 227, 971).

American Harley and Irvin continued efforts to produce the Harley buckle (R. 232; R. 237-238; R. 475-482; R. 540-4). Irvin also continued its efforts to obtain the exclusive right to the patent in the United States. Irvin proposed that British Harley enter into an exclusive license agreement with it, and asked British Harley to agree to indemnify Irvin from any action American Harley might take (Pl. Ex. 48; R. 230, 763, 978). Irvin imported 30,000 buckles from its English subsidiary during 1962 and began producing the buckle in the United States (Pl. Ex. 66; R. 717, 989).

During the summer of 1962, Mr. Hartley declined to execute the license agreement requested by Irvin (Pl. Ex. 59; R. 270, 983). He came to the United States during the fall of 1962 (Pl. Ex. 62; R. 283, 986). While here, he decided not to take the license away from American Harley (Pl. Ex. 63; R. 292, 987). When news of this reached Irvin, it wrote to its English subsidiary asking it to obtain permission to sell 250,000 buckles in the United States (Pl. Ex. 66; R. 717, 989). By letter dated January 16, 1963, from British Harley to Irvin's English subsidiary, Irvin received permission to sell 50,000 buckles (Pl. Ex. 70; R. 307, 992).

The total number of buckles sold by Irvin was never shown. Invoices were produced by Irvin in response to subpoena. They showed sale of only 9,000 seat belts (R. 631-2; R. 655-662). The invoices did not continue past October, 1962, although Irvin was still selling the product in May of 1963 (R. 655-662; R. 631).

Irvin's activities paralleled American Harley's activities throughout the United States. Both companies tried to sell the device to automobile manufacturers, automobile accessory stores, and the public (R. 319-337). Irvin's product was extensively advertised and promoted by its

sales force (Pl. Ex. 72; R. 720, 993; R. 620). Its sales presentation emphasized the fact that the buckle was covered by the Harley patent (A14; Petitioner's Brief). The Harley patent number appeared on the Irvin buckle (Pl. Ex. 84; Pl. Ex. 85). Irvin's product sold for roughly half the price of the American Harley product (Pl. Ex. 72; R. 702, 993; Pl. Ex. 88; R. 344, 1019). The two devices looked the same (Pl. Ex. 77; R. 302, 995; Pl. Ex. 78; R. 337, 999).

American Harley's efforts failed. Sales terminated in July, 1963 (R. 341). No more than 1,000 seat belts were sold (R. 340-346). A total of approximately $65,000 was spent by American Harley in attempting to market the seat belt (Pl. Exs. 81A-81D; R. 403-455, 1009-1012).

Irvin's answer to the complaint did not question the validity of the Harley patent (R. 23-26). The case was tried during the early part of 1969. Although a patent issued to Rave was mentioned during trial (Pl. Ex. 21; R. 697, 952; Pl. Ex. 31; R. 196, 963; Pl. Ex. 48; R. 250, 263, 977), it was not introduced in evidence. Rave was relied upon to justify reduction of British Harley's royalty upon European and English sales of the buckle, which Irvin demanded after British Harley had refused to take the rights under the patent away from American Harley (A12, Appendix to Petitioner's Brief).

POINT I.

The decision of the Court of Appeals does not prohibit copying an unpatented article.

Petitioner asks this court to review the decision of the Court of Appeals of the State of New York upon the ground that it conflicts with *Sears, Roebuck & Co. v.*

Stiffel Co., 376 U. S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964). In both cases, it was held that common law principles of unfair competition, applicable in some jurisdictions where the copying of a competitor's product is shown, could not be relied upon to prohibit competition where it had been found that the product was not covered by a valid patent.

The decision of the Court of Appeals of the State of New York does not conflict with the decisions of this court.

Petitioner neither pleaded, proved, or seriously argued during trial that the Harley patent was invalid (A-5, A-12, Petitioner's Brief). No offer of proof of invalidity was made. The patent which it is now argued anticipates the Harley patent, Raye, was not even offerd in evidence. No one testified that the standards of invention were not met. The decision does not show any resurrection of patent monopoly through operation of State law.

Petitioner did not merely copy a patented device. It tortiously induced the breach of a licensing agreement through falsehoods and economic duress. It availed itself—at least insofar as its customers were concerned—of patent rights which it knew belonged to another (A-14, Petitioner's Brief). Petitioner distorts this court's decisions in contending that such predatory business practices could have been justified or shown to harmonize with Federal patent law if petitioner had shown that the patent was invalid.

POINT II.

Respondent was not required to sue in a Federal court.

Petitioner contends that the courts of the State of New York lack jurisdiction of respondent's claim since it is essentially one for patent infringement within the exclusive jurisdiction of Federal courts by virtue of *Section 1338, Title 28, United States Code*. Petitioner characterizes the cause of action as one for patent infringement because of the view that respondent was damaged because its article was copied.

The argument that petitioner simply copied ignores the great efforts taken by petitioner to avoid being cast in the role of an infringer and the impact of such efforts. The damage to respondent and the gain of petitioner was far greater than would have occurred if petitioner had simply infringed the Harley buckle. Petitioner utilized the patentee's consent as a sales point, placed the patent number on its product, and referred to it in its advertising (P. A-14, Petitioner's Brief). Petitioner's conduct opened a chasm between respondent and British Harley.

The decision of the Court of Appeals follows this court's holdings that common law actions need not be maintained in Federal courts although patents may be involved and questions of validity relevant.

> *Pratt v. Paris Gas Light & Coke Co.*, 168 U. S. 255 (1897);
> *American Well Works Co. v. Layne and Bowler Co.*, 241 U. S. 257 (1916);
> *Luckett v. Delpark, Inc.*, 270 U. S. 496 (1926);
> *Lear, Inc., v. Adkins*, 395 U. S. 653 (1969).

See also,

Kovatron Company, Inc., v. Deering Milliken, Inc., 418 F. 2d 1314 (9th Cir. 1969), *cert. denied* 398 U. S. 929 (1970).

POINT III.

The complaint states a valid cause of action.

Petitioner claims that encroachment upon the paramount Federal scheme of patent regulation results from the holding of the Court of Appeals that the complaint cannot be attacked. The complaint "avers that petitioner was granted the permission to exploit the patented article by the co-owner of the patent," Mr. Harley (P. 16, Petitioner's Brief). According to petitioner, Mr. Harley was not a party to the license and had the right to exploit the patent by virtue of *Section 262, Title 35, United States Code*.

Petitioner neglects to say that the complaint also alleges that permission was wrongfully given by British Harley. Petitioner did not attack the complaint, or the allegations regarding Mr. Harley, before or during trial. The case was submitted to the jury on the theory that British Harley, not Mr. Harley individually, was induced to breach the agreement (P. A.15, Petitioner's Brief).

POINT IV.

The measure of damages was not required to be the same as in a patent infringement case.

Petitioner argues that the measure of damages approved by the Court of Appeals—respondent's lost in-

vestment conflicts with Federal patent laws. According to petitioner, if respondent had sued for patent infringement, damages would have been lower since their measure would have been reasonable royalties, license fees, lost profits or petitioner's profits. But petitioner did not simply infringe the patent and nothing entitles petitioner to the measure of damages applicable if it had merely copied the device.

It should also be observed that it is not at all clear that a suit for infringement would have resulted in a lower judgment. A Federal court has power to treble damages and to award attorneys' fees in an infringement suit.

Conclusion.

None of the arguments raised by petitioner deserve consideration by this court. The decision below is in harmony with and does not conflict with this court's decisions. The petition for a writ of certiorari should be denied.

Dated: New York, N.Y.,
January 29, 1971.

Respectfully submitted,

DONALD H. SHAW,
Attorney for Respondent,
American Harley Corp.,
280 Park Avenue,
New York, N.Y. 10017.

KANTOR, SHAW & RYAN,
Of Counsel.